Government of Canada Gouvernement du Canada

Department of Finance Canada

Canada

The Fiscal Monitor
A publication of the Department of Finance

Highlights

June 2017: budgetary surplus of $16 million

There was a budgetary surplus of $16 million in June 2017, compared to a deficit of $1.1 billion in June 2016. Revenues increased by $1.2 billion, or 5.2 per cent, as increases in tax revenues and other revenues were partially offset by a decrease in Employment Insurance (EI) premium revenues. Program expenses increased by $0.1 billion, or 0.3 per cent, reflecting increases in major transfers to persons and other levels of government, which were partially offset by a decrease in direct program expenses. Public debt charges increased by $47 million, or 2.4 per cent.

April to June 2017: budgetary surplus of $0.1 billion

For the April to June 2017 period of the 2017–18 fiscal year, the Government posted a budgetary surplus of $0.1 billion, compared to a deficit of $1.0 billion reported in the same period of 2016–17. Revenues were up $3.5 billion, or 4.9 per cent, as increases in tax revenues and other revenues were partially offset by a decrease in EI premium revenues. Program expenses were up $2.7 billion, or 4.0 per cent, reflecting increases in major transfers to persons and other levels of government and direct program expenses. Public debt charges were down $0.3 billion, or 4.2 per cent, largely reflecting lower Consumer Price Index adjustments on Real Return Bonds.

Quarterly update of the fiscal outlook

The financial results for the first three months of the fiscal year provide limited information with respect to the outlook for the year as a whole. That being said, the financial results for the April to June 2017 period are consistent with the fiscal projection for 2017–18 presented in the budget.

An update of the economic and fiscal outlook will be provided in the 2017 Fall Economic Statement.

June 2017

There was a budgetary surplus of $16 million in June 2017, compared to a deficit of $1.1 billion in June 2016.

Revenues increased by $1.2 billion, or 5.2 per cent, to $25.0 billion.

- Personal income tax revenues were up $1.0 billion, or 9.7 per cent.
- Corporate income tax revenues were up $0.1 billion, or 3.0 per cent.
- Non-resident income tax revenues were up $0.2 billion, or 43.1 per cent.
- Excise taxes and duties were up $0.2 billion, or 3.7 per cent. Within this component, Goods and Services Tax (GST) revenues were up $0.1 billion, or 2.0 per cent. Energy taxes were up $33 million, customs import duties were up $0.1 billion, and other excise taxes and duties were up $9 million.
- EI premium revenues were down $0.3 billion, or 11.8 per cent, due to a reduction in the EI premium rate for 2017.
- Other revenues, consisting of net profits from enterprise Crown corporations, revenues of consolidated Crown corporations, revenues from sales of goods and services, returns on investments, net foreign exchange revenues and miscellaneous revenues, were up $37 million, or 1.6 per cent.

Program expenses in June 2017 were $22.9 billion, up $0.1 billion, or 0.3 per cent.

- Major transfers to persons, consisting of elderly, EI and children's benefits, increased by $0.6 billion, or 9.1 per cent. Elderly benefits increased by $0.2 billion, or 5.6 per cent, due to growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments decreased by $36 million, or 2.6 per cent. Children's benefits increased by $0.4 billion, or 28.6 per cent, reflecting the new Canada Child Benefit, which replaced the Canada Child Tax Benefit and the Universal Child Care Benefit as of July 2016.

- Major transfers to other levels of government consist of federal transfers in support of health and other social programs (primarily the Canada Health Transfer and the Canada Social Transfer), fiscal arrangements and other transfers (Equalization, transfers to the territories, as well as a number of smaller transfer programs), transfers to provinces on behalf of Canada's cities and communities, and the Quebec Abatement. Major transfers to other levels of government increased by $0.1 billion, or 2.2 per cent, mainly due to legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories.
- Direct program expenses include transfer payments to individuals and other organizations not included in major transfers to persons and other levels of government, and other direct program expenses, which consist of operating expenses of National Defence, other departments and agencies, and expenses of Crown corporations. Direct program expenses were down $0.7 billion, or 6.5 per cent.
    - Transfer payments decreased by $1.0 billion, or 25.3 per cent, due mainly to a decrease in transfers for disaster assistance.
    - Other direct program expenses increased by $0.3 billion, or 4.0 per cent, largely reflecting an increase in pension and benefit costs based on the Government's latest actuarial valuations.

Public debt charges increased by $47 million, or 2.4 per cent.

April to June 2017

For the April to June 2017 period of the 2017–18 fiscal year, there was a budgetary surplus of $0.1 billion, compared to a deficit of $1.0 billion reported during the same period of 2016–17.

Revenues increased by $3.5 billion, or 4.9 per cent, to $75.3 billion.

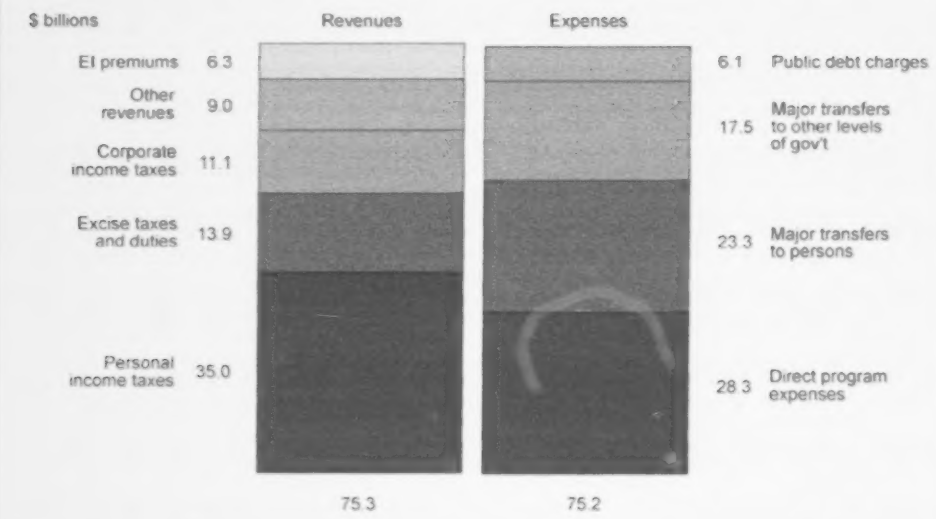
- Personal income tax revenues were up $1.8 billion, or 5.4 per cent.
- Corporate income tax revenues were up $0.6 billion, or 5.6 per cent.
- Non-resident income tax revenues were up $0.3 billion, or 23.2 per cent.
- Excise taxes and duties were up $1.4 billion, or 10.9 per cent, largely reflecting a $1.2-billion increase in GST revenues. Energy taxes and customs import duties were both up $0.1 billion and other excise taxes and duties increased by $4 million.
- EI premium revenues were down $0.8 billion, or 11.2 per cent, due to a reduction in the EI premium rate for 2017.
- Other revenues were up $0.2 billion, or 3.4 per cent, due mainly to an increase in Crown corporation revenues.

For the April to June 2017 period, program expenses were $69.1 billion, up $2.7 billion, or 4.0 per cent, from the same period the previous year.

- Major transfers to persons were up $1.9 billion, or 9.1 per cent. Elderly benefits increased by $0.7 billion, or 5.9 per cent, reflecting growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments decreased by $44 million, or 0.9 per cent. Children's benefits were up $1.3 billion, or 28.4 per cent, reflecting the new Canada Child Benefit.
- Major transfers to other levels of government were up $0.4 billion, or 2.6 per cent, mainly reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories.
- Direct program expenses were up $0.3 billion, or 1.0 per cent.
    - Transfer payments decreased by $0.7 billion, or 7.9 per cent, due mainly to a decrease in transfers for disaster assistance.
    - Other direct program expenses increased by $1.0 billion, or 5.4 per cent, due in large part to an increase in pension and benefit costs based on the Government's latest actuarial valuations and an increase in operating expenses of Crown corporations.

Public debt charges decreased by $0.3 billion, or 4.2 per cent, largely reflecting lower Consumer Price Index adjustments on Real Return Bonds.

Revenues and expenses (April to June 2017)



Note: Totals may not add due to rounding.

Financial requirement of $16.4 billion for April to June 2017

The budgetary balance is presented on an accrual basis of accounting, recording government revenues and expenses when they are earned or incurred, regardless of when the cash is received or paid. In contrast, the financial source/requirement measures the difference between cash coming in to the Government and cash going out. This measure is affected not only by changes in the budgetary balance but also by the cash source/requirement resulting from the Government's investing activities through its acquisition of capital assets and its loans, financial investments and advances, as well as from other activities, including payment of accounts payable and collection of accounts receivable, foreign exchange activities, and the amortization of its tangible capital assets. The difference between the budgetary balance and financial source/requirement is recorded in non-budgetary transactions.

With a budgetary surplus of $0.1 billion and a requirement of $16.5 billion from non-budgetary transactions, there was a financial requirement of $16.4 billion for the April to June 2017 period, compared to a financial requirement of $13.6 billion for the same period the previous year.

Net financing activities up $21.9 billion

The Government financed this financial requirement of $16.4 billion and increased cash balances by $5.6 billion by increasing unmatured debt by $21.9 billion. The increase in unmatured debt was achieved primarily through the issuance of marketable bonds and treasury bills.

The level of cash balances varies from month to month based on a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. Cash balances at the end of June 2017 stood at $42.5 billion, up $4.0 billion from their level at the end of June 2016.

Table 1
Summary statement of transactions
$ millions

	June		April to June	
	2016	2017	2016–17	2017–18
Budgetary transactions				
Revenues	23,743	24,977	71,785	75,270
Expenses				
Program expenses	-22,862	-22,924	-66,396	-69,068
Public debt charges	-1,990	-2,037	-6,384	-6,119
Budgetary balance (deficit/surplus)	-1,109	16	-995	83
Non-budgetary transactions	-3,957	-2,271	-12,582	-16,461
Financial source/requirement	-5,066	-2,255	-13,577	-16,378
Net change in financing activities	-9,015	-879	14,251	21,945
Net change in cash balances	-14,081	-3,134	674	5,567
Cash balance at end of period			38,519	42,469

Note: Positive numbers indicate a net source of funds. Negative numbers indicate a net requirement for funds.

Table 2
Revenues

	June			April to June		
	2016 ($ millions)	2017 ($ millions)	Change (%)	2016–17 ($ millions)	2017–18 ($ millions)	Change (%)
Tax revenues						
Income taxes						
Personal income tax	10,522	11,546	9.7	33,242	35,024	5.4
Corporate income tax	3,775	3,889	3.0	10,479	11,070	5.6
Non-resident income tax	348	498	43.1	1,308	1,611	23.2
Total income tax	14,645	15,933	8.8	45,029	47,705	5.9
Excise taxes and duties						
Goods and Services Tax	3,222	3,286	2.0	8,658	9,838	13.6
Energy taxes	328	361	10.1	1,179	1,229	4.2
Customs import duties	439	502	14.4	1,254	1,383	10.3
Other excise taxes and duties	526	535	1.7	1,461	1,465	0.3
Total excise taxes and duties	4,515	4,684	3.7	12,552	13,915	10.9
Total tax revenues	19,160	20,617	7.6	57,581	61,620	7.0
Employment Insurance premiums	2,197	1,937	-11.8	7,081	6,286	-11.2
Other revenues	2,386	2,423	1.6	7,123	7,364	3.4
Total revenues	23,743	24,977	5.2	71,785	75,270	4.9

Note: Totals may not add due to rounding.

Table 3
Expenses

	June			April to June		
	2016 ($ millions)	2017 ($ millions)	Change (%)	2016–17 ($ millions)	2017–18 ($ millions)	Change (%)
Major transfers to persons						
Elderly benefits	3,938	4,160	5.6	11,718	12,404	5.9
Employment Insurance benefits	1,394	1,358	-2.6	4,998	4,954	-0.9
Children's benefits	1,541	1,981	28.6	4,591	5,894	28.4
Total	6,873	7,499	9.1	21,307	23,252	9.1
Major transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	3,006	3,096	3.0	9,017	9,287	3.0
Canada Social Transfer	1,112	1,146	3.1	3,337	3,437	3.0
Total	4,118	4,242	3.0	12,354	12,724	3.0
Fiscal arrangements and other transfers	1,757	1,772	0.9	5,869	5,993	2.1
Canada's cities and communities	0	0	n/a	0	0	n/a
Quebec Abatement	-381	-397	4.2	-1,144	-1,190	4.0
Total	5,494	5,617	2.2	17,079	17,527	2.6
Direct program expenses						
Transfer payments						
Agriculture and Agri-Food Canada	59	46	-22.0	141	133	-5.7
Employment and Social Development Canada	716	675	-5.7	1,393	1,557	11.8
Global Affairs Canada	170	225	32.4	642	544	-15.3
Health Canada	257	241	-6.2	984	1,057	7.4
Indigenous and Northern Affairs Canada	376	488	29.8	1,781	1,881	5.6
Innovation, Science and Economic Development Canada	165	371	124.8	533	907	70.2
Other	2,027	770	-62.0	3,739	2,404	-35.7

Total	3,770	2,816	-25.3	9,213	8,483	-7.9
Other direct program expenses						
Crown corporations	836	845	1.1	2,315	2,584	11.6
National Defence	1,814	2,084	14.9	5,173	5,488	6.1
All other departments and agencies	4,075	4,063	-0.3	11,309	11,734	3.8
Total other direct program expenses	6,725	6,992	4.0	18,797	19,806	5.4
Total direct program expenses	10,495	9,808	-6.5	28,010	28,289	1.0
Total program expenses	22,862	22,924	0.3	66,396	69,068	4.0
Public debt charges	1,990	2,037	2.4	6,384	6,119	-4.2
Total expenses	24,852	24,961	0.4	72,780	75,187	3.3

Note: Totals may not add due to rounding.

Table 4
The budgetary balance and financial source/requirement
$ millions

	June		April to June	
	2016	2017	2016–17	2017–18
Budgetary balance (deficit/surplus)	-1,109	16	-995	83
Non-budgetary transactions				
Capital investment activities	-153	-272	-431	-736
Other investing activities	-531	3,401	-1,904	1,615
Pension and other accounts	355	302	922	535
Other activities				
Accounts payable, receivables, accruals and allowances	-6,853	-11,028	-11,062	-18,916
Foreign exchange activities	3,121	5,022	-1,035	-60
Amortization of tangible capital assets	104	304	928	1,101
Total other activities	-3,628	-5,702	-11,169	-17,875
Total non-budgetary transactions	-3,957	-2,271	-12,582	-16,461
Financial source/requirement	-5,066	-2,255	-13,577	-16,378

Note: Totals may not add due to rounding.

Table 5
Financial source/requirement and net financing activities
$ millions

	June		April to June	
	2016	2017	2016–17	2017–18
Financial source/requirement	-5,066	-2,255	-13,577	-16,378
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	-11,935	-10	168	9,703
Treasury bills	4,800	3,400	14,000	13,800
Retail debt	-76	71	68	-75
Total	-7,211	3,461	14,236	23,428
Foreign currency borrowings	-159	-855	1,089	32
Total	-7,370	2,606	15,325	23,460
Cross-currency swap revaluation	-1,803	-3,167	-1,399	-1,035
Unamortized discounts and premiums on market debt	201	-267	419	-375
Obligations related to capital leases and other unmatured debt	-43	-51	-94	-105
Net change in financing activities	-9,015	-879	14,251	21,945
Change in cash balance	-14,081	-3,134	674	5,567

Note: Totals may not add due to rounding.

Note: Unless otherwise noted, changes in financial results are presented on a year-over-year basis.

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